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## Governors Say Medicaid Needs More Federal Help to Control Rising Costs

By ROBERT PEAR

**W**ASHINGTON, Feb. 24 — The nation's governors demanded today that Congress and President Bush take immediate action to slow the explosive growth of Medicaid, which they say has become unsustainable in its current form.

Medicaid dominated discussions today at the winter meeting of the National Governors Association. State officials sounded a note of desperation as they sought ways to control health spending.

Governors said that Medicaid, the health insurance program for 44 million people, had been eating up all the additional revenues states had collected in recent years.

"It's a major crisis," said Gov. Paul E. Patton of Kentucky, a Democrat who is vice chairman of the governors association. "We have universal agreement that something needs to be done."

In a new policy statement, the governors said, "The current fiscal crisis for states, compounded by unsustainable growth in the Medicaid program, is creating a situation in which states are faced with either making massive cuts in programs or being forced to raise taxes significantly."

Medicaid provides coverage for low-income people, including one-fifth of all children. It helps pay for one-third of births and two-thirds of nursing home residents in the United States, and it is, after education, the largest program in most state budgets.

State revenues were stagnant or declined in many states last year. But Medicaid costs increased 11 percent, and many states reported that spending on prescription drugs, which are covered by Medicaid, rose more than 20 percent.

Today, in the second session of the four-day conference, the governors advanced numerous proposals to control Medicaid spending and pleaded with the federal government for financial help.

Congress appears likely to provide some assistance but is unlikely to make fundamental changes in the structure of Medicaid this year.

Medicaid is financed jointly by the federal government and the states. Governors want the federal government to pick up a larger share of the costs, at least for some elderly and disabled people. But federal officials are reluctant to assume more of the cost because, like state officials, they foresee rising costs as baby boomers grow older.

These are some of the governors' other proposals:

¶ Give states the option of providing Medicaid coverage to legal immigrants who have not become citizens.

¶Allow states to charge higher co-payments for drugs and services provided to Medicaid recipients. The maximum co-payment is now \$3 for a prescription drug, a doctor's visit, hospital care or other services.

¶Expand Medicare coverage of home health care. That would reduce the states' liability for such care under Medicaid. The federal government pays the full cost of Medicare benefits, but an average of only 57 percent of Medicaid costs, with states responsible for the remainder.

¶Increase the discounts that drug manufacturers must provide to state Medicaid programs.

¶Freeze or increase federal Medicaid payments to hospitals serving large numbers of poor people. Under existing law, the payments will be cut next year.

¶Eliminate cuts in Medicaid payments to public hospitals, scheduled to take effect in March. The cuts result from rules recently adopted by the Bush administration, which said states were siphoning money from the federal treasury without contributing the required amounts of state money.

Gov. John Engler of Michigan, a Republican, said states were particularly concerned about 7 million elderly and disabled people eligible for both Medicaid and Medicare. This group, he said, accounts for 16 percent of Medicaid recipients, but more than 30 percent of all Medicaid spending.

Many of the people with dual eligibility suffer from chronic illnesses and have incomes less than \$10,000 a year. Medicaid provides them with coverage for services not covered by Medicare, including outpatient prescription drugs and lengthy stays in nursing homes, which can easily cost \$40,000 a year.

The governors also called on Congress to investigate the operation of a 1984 law that regulates competition between makers of brand-name prescription drugs and lower-cost generic medicines.

A resolution adopted by the governors' Committee on Human Resources says Congress should hold hearings this year to see if the law is "contributing to the high cost of prescription drugs."

Gov. Howard Dean of Vermont, a Democrat, said brand-name drug companies were manipulating the law to prolong patent protection for their products, making it more difficult for generic drugs to enter the market.

But the new governor of New Jersey, James E. McGreevey, a Democrat, emphasized the importance of patents as an incentive for companies to conduct research and develop products based on their discoveries.

"Patent protection encourages investment in intellectual property," Mr. McGreevey said. "It's essential to economic growth."

Governors today also discussed welfare policy, so they could advise Congress on revisiting a 1996 law that abolished the individual entitlement to cash assistance and gives each state a lump sum of federal money to help poor families.

Under the law, families generally cannot receive federal welfare benefits for more than five years, and adults on welfare are required to work.

Wade F. Horn, an assistant secretary of health and human services, said the Bush administration saw no need to change the five-year limit but wanted to give states more freedom to decide what counts as "work activity."

"There is not a single state, to our knowledge, that has had trouble with the five-year time limit, given the fact that they are able to exempt 20 percent of their caseload from the time limit," Mr. Horn told the governors.

But Mr. Horn said the Bush administration was willing to give states more freedom to combine work with job training and education for welfare recipients.

Such combinations, he said, help poor people get jobs and move up the career ladder.

"What the administration would not support," Mr. Horn said, "is going back to a system that provides education first, and for a very, very long time, before there is any expectation of work."

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